

UNIVERSITY COMMITTEE ON PLANNING AND BUDGET (UCPB) ANNUAL REPORT 2011-2012

TO THE ASSEMBLY OF THE ACADEMIC SENATE:

The University Committee on Planning and Budget (UCPB) met ten times in Academic Year 2011-12, to conduct business with respect to its duties to advise the President and other University agencies on policy regarding planning, budget, and resource allocation as outlined in [Senate Bylaw 190](#) and in the *Universitywide Review Processes for Academic Programs, Academic Units, and Research Units* (the "[Compendium](#)"). The major activities of UCPB and the issues it addressed this year are outlined briefly, as follows:

MONITORING AND MANAGING THE STATE BUDGET CUTS

UCPB monitored the deteriorating state and University budget situation with Vice President for Budget and Capital Resources Patrick Lenz, Associate Vice President Debora Obley, and Executive Vice President for Business Operations Nathan Brostrom, who joined each meeting to update the committee about the progress of budget negotiations in Sacramento, UC's advocacy strategies and efforts, contingency planning, and other UC-specific budget matters. Administrators also discussed their efforts to inform and educate the Regents about UC's cost-saving projects, options for adjusting cost drivers and revenues, and the critical need for new revenue to maintain quality.

UCPB members discussed campus and systemwide strategies for addressing cuts, implementing cost-saving measures, and raising revenue, including staff hiring freezes, cancelled faculty searches, delayed plans for new programs and facilities, program consolidations, and enrolling more tuition-bearing non-residents. The committee was concerned about the impact of layoffs, deferred maintenance, and unfilled faculty positions on the academic and research enterprise, and urged UCOP to communicate to the Regents specific examples of the damage incurred on campuses as a result of the cuts, even if it revealed evidence of declining quality. UCPB's view was that no systemwide program should be immune to cuts, but that cuts to UCOP should account for the importance of maintaining systemwide activities. UCPB supported the effort to find creative solutions for addressing the budget crisis, but opposed the suggestion that UC might solve the crisis by removing one or more campuses from State funding or by combining or consolidating academic programs that are duplicated across UC campuses.

BUDGET REBENCHING

UCPB monitored the evolution of the budget "Rebenching" proposal, the second phase of systemwide UC budget reform following the "Funding Streams" model adopted by the Regents last year. The UCPB chair served with other faculty and senior administrators on the Budget Rebenching Task Force, which discussed principles, and later specific models, for implementing rebenching before issuing a final [report](#) in June. The committee followed the development of the plan closely, and in consultations with Nathan Brostrom and Debora Obley, opined on specific details such as the implementation timeline, the treatment of centrally-funded programs, and whether to rebench existing base budgets or to rely on new revenue. UCPB strongly supported the main goal of rebenching, to develop a principled, transparent, and fair framework for re-

balancing the historical allocation formulas that determine the proportion of state general funds distributed to each campus. UCPB believes that rebenching will help convey a positive public message, insofar as it increases UC budget transparency and equalizes per student funding.

Although UCPB was frustrated, at times, with the pace of the development of the report and the timeliness of efforts to release it to the Senate, the committee was generally pleased with its core principles and recommendations—to fund all UC students of a given type equally regardless of campus; to increase the per-student funding of all underfunded campuses to the level of the most well-funded campus over six years; to set resident undergraduate enrollment targets sufficient to ensure the system as a whole meets its Master Plan obligations; to create incentives for campuses to meet those enrollment targets by penalizing a campus that falls below its target by its per-student state funding times a multiplier; to support UC’s research mission by providing more funding per student for Ph.D. students than undergraduates, and to expand Ph.D. programs at the newer campuses over time, as money becomes available.

The UCPB chair and another Academic Council member who served on the Rebenching Task Force authored a brief [guide](#) to rebenching that sought to answer common questions, and outlined next steps and remaining issues about rebenching.

ENROLLMENT MANAGEMENT

UCPB discussed the need for an enrollment management plan to complement the rebenching project, noting that the Funding Streams reform has removed UCOP from its control over enrollment management, and increased the financial incentive campuses have to displace resident undergraduates with non-residents. UCPB felt it would be critical, therefore, to establish a clear process in which UCOP will work with campuses to set undergraduate enrollment targets, and enforce those targets, to ensure that UC meets its Master Plan obligations. UCPB gained assurances that UCOP will have a central role in enrollment management conversations and will determine a systemwide enrollment level through an iterative process beginning after the vote on Proposition 30 in November.

▪ *Anderson School MBA Program Conversion*

UCPB discussed enrollment management in the context of the proposed conversion of academic programs from State-supported to self-supporting status, motivated by the proposal to convert the UCLA Anderson School of Management’s “daytime” MBA program. The focus of the committee’s discussions was how such conversions would be treated under rebenching. UCPB was unable to get a definitive answer from the administration about how students in a state-supported program that converts to a self-supporting program would be counted for enrollment management and rebenching purposes. UCPB assumed that UCLA would not retain the State money currently provided to Anderson’s MBA students after the conversion reduced the number of students considered state funded under the rebenching model. This view seemed to be partially confirmed in a memo from UCOP to UCLA indicating UCOP’s expectation that UCLA would continue to have unfunded students to justify retaining the funding. Later, however, UCPB heard administrators state that campuses converting programs to a self-supporting model will be able to shed funded students and still keep the state funding they had been receiving for the students enrolled in that program, even without increasing resident enrollment targets.

- ***Enrollment Management Resolution***

In July, UCPB approved a resolution regarding enrollment management under rebenching. The resolution states that UCOP should play a central coordinating role in negotiating enrollment targets, enforcing the rebenching model provisions, and deciding how State funds released by programs converting to “self-supporting” status will be reallocated. It also resolves that systemwide goals should guide these efforts; that students in self-supporting programs will no longer count toward enrollment targets; and that the Compendium should be updated to outline a process for reviewing the conversion of state-supported programs to self-supporting status. The Academic Council declined to endorse the resolution, as it appeared to overlap with another statement on enrollment management; however, it later endorsed that document outlining principles and recommendations for enrollment management under rebenching, which incorporated several key concepts and specific clauses from UCPB’s resolution.

- ***Budgeted Enrollment Formula***

UCPB sought more information about the formula UCOP and the State use to determine the per-student marginal cost of education and to calculate the number of “funded” or “unfunded” students. UCPB was concerned that the rebenching model calculates the average per student State subsidy as a residual, based on what the State provides divided by the existing number of students, rather than on what is needed to educate a student at a UC level of quality. UCPB believes it is critical to define the real cost of a funded student and wants to be able to understand and explain the formula for determining the number of State-funded students. Moreover, the ability to communicate the real cost of educating a student at a UC-quality level, compared to what UC receives from the State, will help the University explain the increase in non-resident enrollment to the public. UCPB encouraged UCOP not to wait until after the November election to determine the actual number of unfunded students and the base year for budgeted enrollment.

FACULTY SALARIES AND RESTORING UC COMPETITIVENESS

UCPB discussed issues related to faculty salary competitiveness with Vice Provost for Academic Personnel Susan Carlson, Provost Lawrence Pitts, and Nathan Brostrom. UCPB emphasized that competitive total remuneration should be UC’s top budget priority; that quality will decline if UC is unable to meet the challenge of competitive recruiting and retention; and that UC should do everything it can to restore the integrity of the merit system by bringing the salary scales back to competitive relevance.

- ***Report of the Joint Task Force on Faculty Salaries***

In April, UCPB opined on the [report](#) of the joint Senate-Administration Task Force on Faculty Salaries, which recommended a new multi-year plan for maintaining faculty salary competitiveness based partly on a plan in use at UC Irvine. UCPB favored using a portion of any increased funding for salaries to implement “Step 1” of the plan, which recommended moving the official systemwide scales to the median of the nine general campus averages for each rank and step, to help address the unacceptably low base salaries in the current UC salary scales. However, UCPB did not advocate a mandate to implement “Step 2,” which would move faculty advancing to a new rank and/or step, at a minimum, to the average salary of their peers at the new rank and step on that campus. UCPB noted that the plan would not be viable without new revenue. In May, the Academic Council sent a [letter](#) to Vice Provost Carlson summarizing these and other Senate views.

▪ ***APM 668 (Negotiated Salary Program)***

UCPB opposed APM 668, a UCOP proposal to allow general campus faculty to supplement their income with non-state resources such as grant funds, endowment earnings, and professional degree supplemental tuition. UCPB warned that the policy could slow momentum for fixing the scales; reduce the faculty role in merit and promotion cases while giving additional authority to administrators; exacerbate existing salary inequities and create new inequities; lead departments to favor some kinds of research over others; create distinctions among faculty based primarily on their ability to generate revenue rather than on their research and teaching accomplishments; and create incentives for faculty to seek more lucrative grants and do certain kinds of research only for its higher salary potential. UCPB added that a Negotiated Salary Program could help recruitment and retention problems in specific disciplines such as the biological sciences, and recommended that UC consider a narrower program tailored specifically for faculty in those disciplines. The Academic Council sent a [letter](#) to Vice Provost Carlson summarizing these and other Senate views. UCPB later expressed shared governance concerns when the Provost indicated an interest in implementing a version of APM 668 as a 5-year pilot program at several campuses, despite the Senate position.

UC ONLINE EDUCATION PROJECT (UCOE)

UCPB took an interest in the UC Online Education Project and received regular updates from UCOE leaders regarding the UCOE business model, marketing plan, and various academic policy issues. The UCPB chair also served on a joint advisory committee on UCOE and worked with the chairs of UCEP and BOARS on proposed regulations related to the admission and enrollment of non-matriculated students into UCOE courses. UCPB expressed several concerns about the project, particularly the reliance of the business model on the enrollment of significant numbers of non-matriculated students willing to pay up to \$1,400 per course, and the plan to offer most of the courses six to nine times per year. UCPB wanted UCOE to focus on developing a quality program, and therefore felt it was advisable for UCOP to grant UCOE a one- to two-year moratorium on its loan repayment obligation. UCPB will monitor the continued viability of the business model as the non-matriculated student recruitment effort proceeds, and will participate in ongoing conversations about a proposal to modify the UCOE loan repayment schedule.

INDIRECT COST RECOVERY

The Indirect Cost Waiver Policies and Practices Workgroup invited UCPB to comment on its draft recommendations concerning the University's policies and practices around indirect cost (IDC) recovery that may be hindering UC's ability to recover the full cost of research. UCPB supported efforts to increase UC's ability to recover the full cost of research by increasing its negotiated IDC rates, and by limiting the number of IDC waivers, insofar as these efforts did not damage the research enterprise. UCPB also warned that a stricter anti-waiver policy could encourage campuses to reject projects at the margin that would benefit the university; and that certain fields and disciplines could be disproportionately affected by a stricter anti-waiver policy.

DIVISION OF AGRICULTURE AND NATURAL RESOURCES (ANR)

UCPB discussed budget issues concerning the Division of Agriculture and Natural Resources (ANR) and the Agricultural Experiment Station (AES). UCPB advocated for a more transparent funding model for ANR, and for maintaining shared governance principles regarding the ANR budget and other matters through the Senate's established committee structure. Professor Chris van Kessel represented UCPB on ACSCANR, the Senate's new special committee on ANR. UCPB believes it can play a positive role in addition to that being played by ACSCANR, in reviewing UC's total agriculture/natural resources budget portfolio, helping to address a shrinking pot of discretionary funding for ANR, which accounts for a large proportion of UCOP's discretionary spending, and analyzing different funding models being discussed for ANR. UCPB also received conflicting information about the ANR/AES budget from sources within the Office of the President, which prevented it from determining precisely how much UC is spending on these programs. The Budget Office is working with AES campuses to verify and refine their budget data, and has promised UCPB a report about how the AES budget has changed on its host campuses over ten years compared to the campus as a whole, along with historical ANR budgets over the same period.

NATIONAL LABORATORY ISSUES

The Senate chair asked the Lawrence Berkeley National Laboratory (LBNL) to consult UCPB on the finance plan for a proposed second campus in the Bay Area, so that UCPB could advise Council about potential benefits and risks. The details of this plan evolved over the course of the year and have not been resolved definitively. LBNL leaders joined UCPB in October to discuss potential sites and financing options for the campus, and indicated that LBNL's favored plan would leverage UC's debt capacity to finance a \$300 million construction cost with debt service paid from the lab's overhead during the period of DOE occupancy. UCPB questioned using the debt capacity of the entire system for the project and urged that the debt guarantees be ironclad. In December, the UC chief financial officer reported to UCPB that the President had asked the CFO Division to investigate options for funding the second campus in a way that would not risk the borrowing capacity of the campuses, which eliminated the possibility of using UC's highly-rated pooled credit vehicles. In May, the CFO Division reported that it had been considering an LBNL-based debt credit vehicle that would pledge only revenues generated at LBNL, but that it had decided the plan would be too costly. The plan now being considered would fund the second campus with UC-based Limited Project Revenue Bonds, and protect the greater University from any default risk with a debt service reserve fund, and a credit enhancement insurance premium acting as an additional reserve fund.

In addition, the UCPB vice chair represented UCPB on the Academic Council Special Committee on Laboratory Issues (ACSCOLI). Discussions at ACSCOLI of direct interest to UCPB included ACSCOLI's [recommendation](#) that the fees generated from UC's management of the national laboratories this year be used to support systemwide research projects identified through the Laboratory Fee Research Program, and not redirected for general funding purposes.

OTHER BRIEFINGS

- Graduate Student Representative Erik Green encouraged UCPB faculty to disseminate [Teach the Budget](#) curriculum materials to their students, to inspire activism regarding the budget crisis and cuts to higher education. He also briefed the committee on a plan developed by members of a UC Riverside student newspaper editorial board to eliminate up-front tuition

and the current financial aid system and require UC graduates to pay 5% of their income to UC for 20 years.

- Rachael Goodhue, chair of CCGA and chair the Special Committee on Academic Graduate Student Support (CAGSS), joined UCPB to discuss CAGSS' draft report. UCPB expressed support for the recommendations to increase the competitiveness of graduate student support by modifying systemwide policy around net stipends and Non-resident Supplemental Tuition.
- Dwaine Duckett, vice president for human resources, and Gary Schlimgen, director of pension and retirement programs, described the process and timeline for new employee and employer contributions to UCRP and the implementation of the new UCRP tier; a draft study exploring the feasibility of offering a Defined Contribution Plan option for new policy-covered staff hires within UC Health; savings generated from the family member verification project; and the work of a Healthcare Benefits Work Group that was considering options for changing the design of UC's health care plans to control rising costs.
- John Stobo, senior vice president for health sciences and services, discussed challenges threatening the profitability of the UC medical centers, and options for increasing efficiencies and generating more revenue that will help ensure the medical centers' continued financial success and ability to provide excellent medical education and patient care.
- Cathryn Nation, associate vice president for health sciences and services, discussed the recommendations of the Health Sciences Work Group of the Budget Rebenching Task Force.
- Grace Crickette, UC's chief risk officer, discussed alternative risk options UC was pursuing to reduce costs—a captive insurance organization, and an employer "self-insurance" program that would take advantage of existing UC and non-UC healthcare centers.
- Peter Taylor, chief financial officer, described a proposal in the Governor's budget that would have allowed UC to use its more favorable credit rating to refinance the GO bond debt service payments owed for UC capital projects—increasing UC's flow of unrestricted money, and providing more flexibility and control over how UC can use the money.

LEGISLATION

On behalf of UCPB, Chair Chalfant contributed views to the Academic Senate legislative analyst regarding several bills, including SCA 22, a proposed state constitutional amendment that would limit non-resident enrollment to 10% at each UC campus, and other bills proposing various restrictions on public employee pensions and salaries. UCPB was also briefed on legislation passed that will grant collective bargaining rights to graduate student researchers and a bill that would give the Legislative Analyst's Office authority to define accountability metrics and goals for higher education in California.

OTHER ISSUES AND ADDITIONAL BUSINESS

- UCPB sent views to CCGA supporting a proposal to reconstitute the UCI Department of Education as a School of Education. Council later [approved](#) the proposal.
- UCPB met with John Crawford, UCORP chair, to discuss an external review of the UC Observatories. UCPB later sent a memo to the Academic Council citing the Observatories as

a “crown jewel” of the UC system, which enhances UC’s international visibility and prestige, while noting that UCPB did not have enough information to advise the Senate or the Office of Research about its current or future budget. This reflected a general pattern in such reviews, noted previously, and remains a source of frustration for the committee that is not specific to the UCO review.

- UCPB discussed a [proposal](#) from senior administrators at UC Berkeley for a new University governance structure that would delegate more decision-making autonomy to campuses and campus-based governing boards.
- UCPB discussed an [Academic Senate Memorial](#) asking the Regents to take a formal position in support of ballot measures and legislation that increase state revenues and/or prioritize funding for public higher education.
- UCPB reviewed an updated report the [Office of Institutional Research](#) first produced for the Committee in 2009-10 that tracks the expansion of academic and non-academic salary and FTE growth over time in proportion to enrollments.

INTERACTIONS WITH UCOP ADMINISTRATION

On the whole, UCPB enjoyed fruitful, informative, candid dialogue with UCOP administrators who responded to UCPB requests with timely, informative data. The Budget Office provided thoughtful, informative presentations about the state budget situation, UC’s budget allocation process, and various budgetary reform projects. Other UC leaders shared high level updates and observations about UC’s pension obligations and debt programs, contingency scenarios for UC’s budget expectations, and various other topics. For their part, UCPB members argued forcefully and effectively for budget action based on principles, asked thoughtful, probing questions and challenged administrators to do more to communicate UC’s chronic under-funding and demonstrate the real consequences of state de-funding on student fees, enrollment, and programs.

UCPB REPRESENTATION

Chair James Chalfant represented UCPB at the Academic Council, Academic Assembly, Academic Planning Council, the Provost’s Budget Advisory Group, and the UCOE advisory group. Vice Chair Jean-Bernard Minster represented UCPB on the Academic Council Special Committee on Laboratory Issues (ACSCOLI). Chair Chalfant, Vice Chair Minster, Marilyn Westerkamp and Erik Green represented UCPB on the Academic Council Task Force on Competitiveness in Academic Graduate Student Support. David Lopez served as UCPB’s representative to the UC Education Abroad Program Governing Committee. Elizabeth Deakin represented UCPB on the joint Senate-Administration Task Force on a Negotiated Salary Plan for the General Campus. Chris van Kessel was UCPB’s representative to the Academic Council Special Committee on Agriculture & Natural Resources (ACSCANR), Theodore Groves represented UCPB on the Systemwide Library and Scholarly Information Advisory Committee, and Gary Leal represented the committee on the Technology Transfer Advisory Committee.

LOOKING AHEAD TO 2012-13

In 2012-12, Jean-Bernard Minster (UCSD) will take over as UCPB chair and Donald Senear (UCI) will be vice chair. UCPB will continue to monitor the state’s fiscal situation and its impact on the UC budget, the rebenching effort, enrollment management, UCRP funding, and the online

education project. The Committee will help UCOP and the Senate confront difficult short-term and long-range budget planning choices resulting from reduced state funding. UCPB will continue to advocate for budget planning that maintains the quality of education, research, and service throughout the 10 UC campuses, for the importance of competitive faculty total remuneration, and for a strong research enterprise to ensure the future quality of the University of California. UCPB will analyze opportunities for achieving local and system-wide budget efficiencies; assess the degree to which local budget committees have access to information and input into budget decision-making; and work with other Senate committees on issues of common interest and concern.

ACKNOWLEDGMENTS

UCPB is grateful to the following committee consultants and guests for their valuable contributions: Executive Vice President Nathan Brostrom; Provost and Executive Vice President Lawrence Pitts; from the Budget Office, Vice President Patrick Lenz, Associate Vice President Debora Obley, Assistant Director Clifton Bowen, and Principal Analyst Elisabeth Willoughby; Vice Provost Daniel Greenstein, Associate Director Strategic Initiatives Lisa Baird, and Professor Keith Williams, who worked with the committee on the UCOE project; Vice Provost Susan Carlson; Chief Financial Officer Peter Taylor; Vice President for HR Dwaine Duckett; Vice President for Research and Graduate Studies Steven Beckwith, Director for Research Policy Analysis and Coordination Wendy Streitz, and UCB Assistant Vice Chancellor for Research Administration and Compliance Patrick Schlesinger, who met with UCPB to discuss the IDC recommendations; Vice President for ANR Barbara Allen-Diaz; Director Gary Schlimgen, Senior Vice President John Stobo; Associate Vice President Cathryn Nation; Interim Chief of Staff, Office of the Provost Todd Greenspan; Executive Director, Capital Markets Finance Sandra Kim; and Chief Risk Officer Grace Crickette.

Thanks also to the faculty who served as alternates for regular committee members: Ann Orel (UCD), Patricia Springer (UCR), Patricia Gallagher (UCSC), and Susan Amussen (UCM)

Respectfully submitted:

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| Chris van Kessel (UCD) | Donald Senear (UCI) |
| Elizabeth Deakin (UCB) | Robert Anderson, <i>ex officio</i> |
| Marilyn Westerkamp (UCSC) | Robert Powell, <i>ex officio</i> |
| Umar Mohideen (UCR) | Erik Green, Graduate (UCSC) |
| Gary Leal (UCSB) | Amanda Buchanan, Undergraduate (UCSC) |
| Nella Van Dyke (UCM) | |
| Mary Gray (UCSF) | Michael LaBriola, Committee Analyst |